CREATING WINNING WAYS
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101-07387/

LETTER of TRANSMITTAL

MINISTER RESPONSIBLE FOR BRITISH COLUMBIA LOTTERY CORPORATION

Dear Minister:

Fiscal 1999/2000 was a year of significant challenges, achievements and change for British Columbia Lottery Corporation (BCLC). On the eve of the new century, BCLC celebrated 25 years of lotteries in British Columbia in 1999.

Total revenues in fiscal 1999/2000 reached $1.4 billion, an increase of 11 per cent over the previous year. This resulted in net income of $532 million, of which $524.8 million was distributed to the Government of British Columbia and $7.2 million to the Government of Canada.

On behalf of BCLC, I respectfully submit the Annual Report for fiscal year ended March 31, 2000.

Mervyn Romilly
Chair, Board of Directors

Creating Winning BRITISH COLUMBIANS

Lottery ticket sales began in British Columbia on August 4, 1974, with the province participating as a partner in Western Canada Lottery Foundation.

By a decade later, the scope of the lottery business warranted the province becoming a separate organization. Government announced that the newly formed British Columbia Lottery Corporation (BCLC) would locate its headquarters in Kamloops. Substantive economic benefits would be generated for the province. BCLC officially opened April 1, 1985.

During 1999, the Corporation celebrated 25 years of lotteries and winning ways. Over that span, lotteries in British Columbia have generated significant benefits, including:

- $4 billion in net income distributed to the Government of British Columbia and returned to British Columbians through government programs;
- $982 million in commissions earned by lottery retailers, many of them from small retail businesses, and casino and bingo service providers; and
- $5.7 billion in prizes won by players, including more than 300 millionaires created since 1985.

Gaming In Canada

Five Canadian lottery jurisdictions, including BCLC, operate as partners in Interprovincial Lottery Corporation to offer nationwide and special event lottery games. The gaming market has grown largely by consumer demand, with players seeking new entertainment experiences and game innovations.

Security and integrity are paramount to the business, and BCLC has built its solid reputation on that foundation. Players can have the highest confidence that they will have an equal and fair chance to win on all gaming products offered by BCLC, while enjoying the fun of participating in a popular form of adult entertainment.

We Win All Ways

BCLC distributes net income to the Government of British Columbia, which returns this money to British Columbians through government programs.

In 1974, the inaugural year of lotteries in British Columbia, the Government of British Columbia began administering lottery grants to fund thousands of projects in the areas of sport, recreation, arts and culture, heritage and medical research.

For example, lottery grants have helped support the B.C. Summer and Winter Games and Special Olympics, B.C. Heritage Trust and B.C. Health Care Research Foundation, Expo 86 and the BC Pavilion in Vancouver, 1993 Canada Games in Kamloops and XV Commonwealth Games in Victoria. A host of community initiatives, ranging from heritage restoration projects to volunteer fire departments to seniors groups and arts organizations, have also received support.

In 1991, Government announced a policy of dedicating 50 per cent of lottery profits to health care. Currently, up to 50 per cent goes into the Health Special Account, while the balance is directed to general revenue in support of other government programs.

In March 1997, Government announced a new gaming policy that gave BCLC responsibility to conduct and manage slot machines and electronic and linked bingo. The Corporation assumed responsibility for all commercial casino gaming in June 1998.

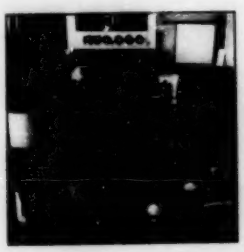
Government protects the interests of charitable gaming through a guaranteed minimum funding level of $125 million to charities annually, funded through casino, bingo and electronic bingo net income.

Corporate Citizen

Through its Corporate sponsorship programs, BCLC contributes to the well-being and development of communities throughout the province by supporting a variety of community celebrations, activities and initiatives.

In summer 1998, BCLC thanked British Columbians for their continued support by rolling out the Hey Wagon Community Stage Program, a mobile stage and production unit that accepted invitations to 22 community festivals and events around the province. The Hey Wagon again lent its support and presence in 1999.

A 25th Anniversary Contest celebrated the overall benefits of lotteries and gaming to communities. Promotional events held in 63 communities involved thousands of players, retailers and citizens.



BOARD GOVERNANCE

MESSAGE FROM THE CHAIR

In 1993, BCLC formally adopted a mission statement and developed a set of objectives to guide the Corporation, which then operated in the single gaming business of lotteries. These became key elements in the Corporation's 1994-1999 strategic plan.

As part of Government's 1997 announcement of a new gaming policy, the Corporation was given responsibilities to conduct and manage casinos and electronic and linked bingo. BCLC subsequently focused much of its efforts on these areas, resulting in increases in annual revenues and organizational growth.

FINANCIAL GROWTH

Fiscal 1999/2000 was the second of two consecutive years in which BCLC experienced significant growth.

Lottery gaming continued to account for the largest portion of the total $1.4 billion in annual revenues at $907.2 million in sales revenues. However, lottery gaming is a maturing business that is achieving only marginal growth across Canada.

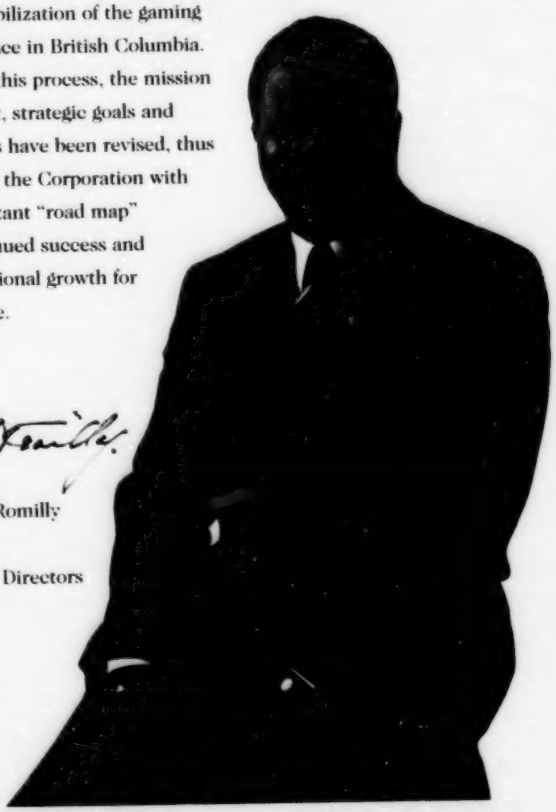
BCLC came through its first full year of casino operations in fiscal 1999/2000, after assuming responsibility to conduct and manage slot machines in 1997 followed by table games in 1998. Overall annual revenue growth came primarily from casino gaming, which is becoming an increasingly greater source of revenue for the Corporation.

NEW PRESIDENT

A significant change in leadership occurred with the retirement of long-time President Guy Simonis at the end of September. After a national search process, the Board selected Vic Poleschuk as President and CEO. The former BCLC Vice-President started his career with the Corporation in 1985 and assumed his new position effective October 1.

STRATEGIC PLAN

As fiscal 1999/2000 drew to a close, the Corporation was developing a new strategic plan to position itself in the gaming marketplace, establish a clear direction for growth and contribute to the stabilization of the gaming marketplace in British Columbia. Through this process, the mission statement, strategic goals and objectives have been revised, thus providing the Corporation with an important "road map" for continued success and organizational growth for the future.



Mervyn Romilly
Chair,
Board of Directors

BOARD STRUCTURE

BCLC reports to the Minister Responsible for British Columbia Lottery Corporation through a Board of Directors. Through order-in-council, Government appoints board members from around the province.

The Board of Directors is responsible for supervising the management of the Corporation's affairs and for guiding its activities to meet statutory objectives as outlined in the Lottery Corporation Act of British Columbia. Directors' involvement, commitment and accountability is evident by their:

- knowledge of the Corporation's history, current operations and culture
- regular, informed participation in Board and committee meetings
- preparation and active participation in setting the strategic direction
- ensuring the Corporation performs in the interests of the Government of British Columbia

BOARD OF DIRECTORS 1999/2000

Chair	
Mervyn Romilly	*Appointed November 25, 1999*
Vice-Chair	
Hoshiar Gosal	*Reappointed September 11, 1999*
Directors	
Jann L.M. Bailey	*Reappointed May 27, 1998*
Pietro Calendino, MLA	*Appointed April 1, 1998*
J.F. Raymond Chouinard	*Reappointed September 11, 1999*
Marylou Curtis	*Appointed May 6, 1998*
Diane Ferleyko	*Appointed May 27, 1998*
Kenneth H. Isomura	*Reappointed May 27, 1998*

Creating Winning DIRECTIONS

Government announced a new gaming policy in 1997 that resulted in BCLC's swift transition from a lottery company to a broader business encompassing casinos and electronic and linked bingo.

In fiscal 1999/2000, BCLC experienced continued growth and success, as well as some significant changes in provincial gaming policy.

The Corporation finished fiscal 1999/2000 with total revenues of $1.4 billion, an increase of 11 per cent over the previous fiscal year attributed mainly to a full fiscal year of casino gaming. Net income to the Government of British Columbia was $524.8 million, an increase of 16.9 per cent over the previous year.

One community casino, Lake City Casino Kelowna, was relocated and British Columbia's first destination casino, the Royal City Star riverboat, opened in New Westminster. These full service casinos contributed to total casino revenues of $445.2 million, an increase of $137 million over the previous year.

GAMING POLICY

Fiscal 1999/2000 was marked by a significant change in Government policy direction with the June 1999 announcement of new gaming policies, including a Memorandum of Agreement with the Union of B.C. Municipalities, under which local governments direct and define the extent, scope and type of casino and bingo gaming permitted within their boundaries, and receive a 10 per cent share of community casino income and a one-sixth share of destination casino income.

A Memorandum of Agreement was also signed with the B.C. Association for Charitable Gaming. This affirmed the role of licensed charities as sole beneficiary of bingo revenue and their exclusive domain over all bingo activities, subject to licensing by the British Columbia Gaming Commission and provisions of the federal Criminal Code.

With Government's commitment for a greater role in gaming decisions for municipalities and charities, BCLC will intensify its commitment to build effective and mutually beneficial business relationships with its many stakeholders.

COMMUNITY EVENTS

For a second season, as part of the Corporation's community events sponsorship program, BCLC's Hey Wagon community stage hit the highway to visit 22 community festivals and events around the province.

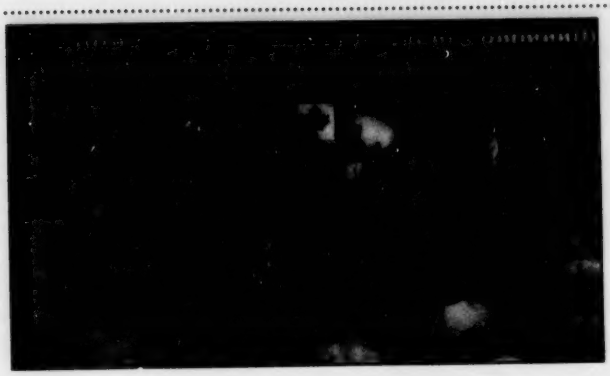
This high-profile, travelling performance stage comes complete with a state-of-the-art sound and lighting system and crew. The Hey Wagon, provided as an in-kind sponsorship, allows organizers to focus their resources on delivering the best possible event to their communities. BCLC is proud to be able to be a part of many very successful community festivals and events held throughout the province each year.

Y2K

The Year 2000 Project, a major Corporate initiative, was initiated in early 1998.

Extensive planning and testing resulted in the Corporation making a smooth rollover to the new century. The three-day transition period over January 1, 2000, was seamless and transparent, with no impact on revenue generation or business continuity. Leap Year 2000 and fiscal year-end were equally uneventful.

Creating Winning DIRECTIONS



Organizational Structure

In 1999, BCLC took the first steps to review and restructure the organization. The Corporation's functional structure for the lottery gaming business was no longer effective in a multi-faceted gaming environment. A new organizational structure based on business units will be implemented in the coming fiscal year.

Guy Retires

The 25th anniversary of lotteries in British Columbia in 1999 was a celebration of the community benefits created through lotteries. BCLC started operating in 1985 with the slogan, "Whether you play a little, or a lot, or not at all, in British Columbia we all win." The slogan has been reworded from time to time over the years, but the message will always remain the same.

Twenty-five years also marked the end of an era with the retirement of President Guy Simonis, a man synonymous with lotteries not only in British Columbia, but worldwide. His vision shaped the Corporation, motivated the lottery industry and helped BCLC attain its respected position among lottery organizations worldwide.

Guy's resume is extensive and his list of achievements lengthy. He began his lottery career in 1970 in Manitoba, starting North America's first sports lottery. In 1973, Guy was instrumental in the establishment of Western Canada Lottery Foundation (WCLF), of which British Columbia was a member. A founding director of Interprovincial Lottery Corporation, Guy was the General Manager of WCLF from 1974 to 1985 and then President of BCLC when the province struck out on its own in 1985.

Guy served in many capacities in lottery associations around the globe, and in 1999 became the first President of the newly formed World Lottery Association (WLA).

We thank Guy for his dedicated public service and his extraordinary commitment to the development of lotteries, not just in British Columbia but worldwide.

Year Ahead

Collectively, fiscal 1999/2000 events set the stage for another challenging year ahead. New lottery retail opportunities will be explored to deal with the maturing market, and casino gaming will continue to see improvements through new facilities, products and customer services.

As well, the Corporation will take an even greater role in ensuring that its products are played in a socially responsible manner, and that the Corporation continues to play an important role in supporting worthwhile community events throughout the province.

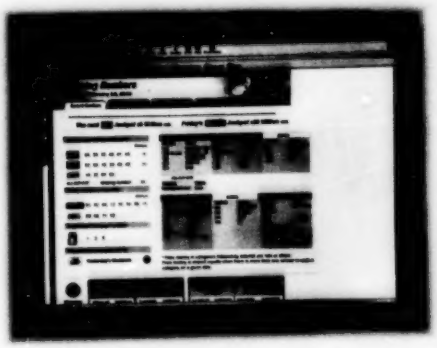
Fiscal 2000/01 is expected to be a year of stabilization in the gaming marketplace and marginal growth for BCLC revenues and net income to Government.

As BCLC moves into the next millennium, past accomplishments will serve as the building blocks for the future as we continue to create winning directions.

Vic Poleschuk
President and CEO

Creating Winning RESULTS

Amid an exciting, changing and complex gaming marketplace in fiscal 1999/2000, BCLC continued its winning ways to reach its social, corporate and financial objectives.



Financial Picture

The Corporation operates in three gaming business segments: Lottery gaming (traditional and social products); casino gaming (slot machines and table games); and bingo gaming (electronic and linked).

Revenues of $1.4 billion translated into a net income return of $532 million, of which $524.8 million was distributed to the Government of British Columbia and $7.2 million to the Government of Canada.

Commissions earned by lottery retailers and casino and bingo service providers increased to $220.9 million, mainly due to the addition of casino operations for a full year.

Lottery and bingo players won almost 66 million prizes, collecting a total of $509.8 million.

Where the Money Goes

BCLC distributes net income to the Government of British Columbia, which returns the money to British Columbians through government programs. These include:

- health care
- general revenue
- direct access grants to charities
- municipal revenue sharing
- funding to support problem gambling programs and gaming regulatory agencies

In fiscal 1999/2000, the Corporation earned $524.8 million in net income for Government, which was in part distributed as follows:

- $272.5 million to general revenue
- $143.5 million to the Health Special Account
- $86 million to some 4,800 charities
- $20 million to municipalities
- $2 million to the Problem Gambling Program

Jobs

Gaming has created significant direct and indirect employment opportunities in British Columbia. In addition to the 650 office and field staff employed by BCLC, there are some 3,300 people employed by casino service providers throughout 17 casinos in British Columbia. Thousands more are working where lottery products are sold, at bingo halls and at a variety of companies that provide services and support to the industry.

Lottery Gaming

Lottery gaming is the Corporation's most established and popular business, with a participation rate of 70 per cent among British Columbia adults. At $907.2 million in sales revenues, this business segment continues to account for the largest portion of revenues. The flagship nationwide game Lotto 6/49 was the strongest performer at $218.2 million.

As is the case with other Canadian lottery jurisdictions, BCLC's lottery market continues to mature and has achieved only marginal annual growth over the past few years. To realize growth opportunities in lottery gaming will require a renewed marketing approach. Programs slated for the next fiscal year include testing the expansion of the retail network and alternative merchandising methods.

The majority of the Corporation's lottery business is conducted through online computer systems. In fiscal 1999/2000, BCLC issued a Request for Proposal (RFP) for an online gaming system and equipment to meet its lottery needs of the next 10 years. It is expected that this new lottery system will be implemented over the next two to three years, offering better customer services and new, innovative products to players and retailers alike.

Casino Gaming

BCLC's casino gaming responsibilities consist of community casinos and destination casinos. The Corporation conducts and manages casino gaming and contracts with private-sector service providers for facility and day-to-day operational services.

BCLC completed its first full year of casino operations in fiscal 1999/2000. Of the total $445.2 million in revenues, slot machines accounted for $230.5 million and table games for $214.7 million.

During fiscal 1998/99, Government announced approval-in-principle for eight destination casinos and BCLC commenced negotiations with proponents. Royal City Star riverboat in New Westminster became British Columbia's first destination casino when it opened in October 1999. Lake City Casino Penticton is scheduled to open early in 2000/01.

The community casino Lake City Casino Kelowna was relocated successfully and opened in May 1999.

Creating Winning RESULTS

Bingo Gaming

Bingo gaming finished fiscal 1999/2000 with sales revenues of $49.1 million. SuperStar Bingo, the nightly linked game in which up to 85 participating halls play for a minimum jackpot of $20,000, accounted for $16.8 million in revenues. Starship Bingo, a console-based electronic bingo offered in eight commercial bingo halls, achieved $29.2 million in revenues.

The Corporation contracts for facility and operational services for linked and electronic bingo. The same companies provide operational services to charities, which conduct and manage paper bingo.

BCLC has been the sole distributor of bingo paper in the province for many years. Revenues for fiscal 1999/2000 were just under $3.1 million.

Government signed a Memorandum of Agreement with the B.C. Association for Charitable Gaming in June 1999. The agreement affirmed the role of licensed charities as sole beneficiary of bingo revenue, both paper and electronic, and charities' exclusive domain over all bingo activities subject to licensing by the British Columbia Gaming Commission and provisions of the federal Criminal Code.

BCLC's long-term role in bingo is uncertain, but efforts will continue to develop and implement new electronic bingo products and facilities to attract new customers and assist in improving the overall competitiveness of bingo in British Columbia's gaming marketplace.

Customer Service

BCLC receives thousands of consumer inquiries not only from within British Columbia, but from across North America and around the world. During fiscal 1999/2000, the Customer Service department responded to 36,400 telephone inquiries, an average of 700 a week. The department sent out more than 1,000 information packages and corresponded with more than 1,000 customers by mail and a growing number of e-mails.

www.bclc.com

Web site visitors clicked onto the new bclc.com as of late 1999. Information access was streamlined and the most-requested information was brought to the home page. Features that customers requested, such as easy access to winning numbers and a simplified way to contact BCLC, were added and low-traffic areas eliminated.

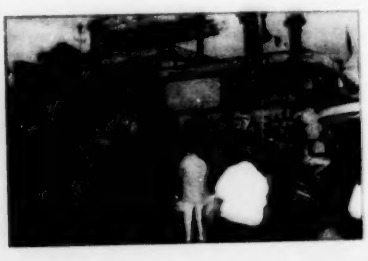
Wednesday, Saturday and Sunday are the busiest days on the site. Traffic was highest during February and the highest day was February 19, the day after the $18.2 million jackpot on Lotto Super 7 was won.

BCLC will continue to utilize and improve its information content on this new "e-communications" medium to provide players and the general public easier access to corporate and product information.

25th Anniversary Contest

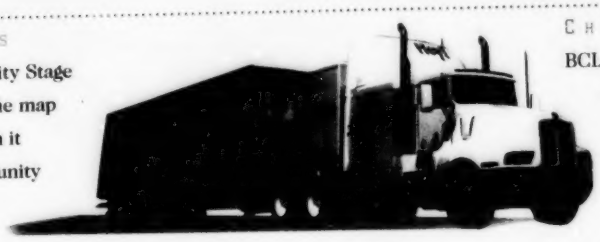
A highlight of the fiscal year was the 25th Anniversary Contest. Scratch & Win tickets with an anniversary bonus play area were the primary means of promoting the contest. Players who revealed the word "entry" received an entry form into a draw for the chance to participate in one of 63 community events around British Columbia.

Winners of the highest cash prize at each community event advanced to one of seven regional events, and those seven winners advanced to the grand finale at the Lotto '99 Retailer Forum. Lottery retailers who sold the lucky Scratch & Win tickets to the contestants also participated in this 25th anniversary contest.



Creating Winning COMMUNITIES

Community Events



The Hey Wagon Community Stage Program put BCLC on the map for a second season when it participated in 22 community events and festivals around the province in fiscal 1999/2000.

Sponsorships and community support are among the ways that BCLC shows a "lotto support" and goodwill to British Columbia communities.

The Hey Wagon is an eye-catching, tractor-trailer unit that converts to a stage complete with sound, lights and staging crew. The stage can be set up in a number of sizes and configurations to accommodate a variety of needs.

The Hey Wagon is provided to event organizers as an in-kind sponsorship. From April through September, the Hey Wagon zigzagged its way around the province.

The L'Auto Game, held on the Hey Wagon stage, offered five lucky contestants the chance to win a 1999 Chevrolet Cavalier. Players entered a draw at retail in their communities prior to the Hey Wagon's visit or at the event.

Horse Racing Sponsorship

The Corporation formed an alliance with horse racing by launching a major sponsorship initiative at the fifth annual BC Cup race day at Hastings Park Racecourse. BCLC was the title sponsor of the BC Cup V race. A Super 7 Stakes cross-promotion involving Lotto Super 7 followed every Friday night for 14 weeks.

Sponsorship at Fraser Downs began in October with the funding of the purse for the seventh race on opening weekend. During the 14-week Super 7 Stakes promotion, 1,000 promotional packages were distributed every Friday night.

Chinese New Year

BCLC was a silver-level sponsor of the sixth annual Canadian Airlines East Meets West Chinese Festival in late January in Vancouver.

The Corporation's booth featured Lotto 6/49 and the Year of the Dragon Scratch & Win tickets. Visitors who purchased a Lotto 6/49 ticket at the booth received an entry form for the chance to participate in the Lotto Spin. Twice daily, six contestants tried their luck at winning cash and merchandise prizes.

Tournament of Hearts

The Scott Tournament of Hearts, a premier event for women's curling, was held in Prince George in February. BCLC was a gold-level sponsor for this event that involved more than 800 volunteers.

Head Office Community

Of BCLC's 650 employees, nearly half work, live and raise their families in Kamloops where the head office is located. As a proud corporate citizen, BCLC supports a cross-section of the community in the areas of business, arts and culture, sports and recreation.

During fiscal 1999/2000, the Corporation was involved with such groups as the Kamloops Pro Rodeo, Kamloops Community YM-YWCA Women of Distinction celebration, 1999 Seniors Show & Exhibit, Canada Day/Folkfest, Kamloops Symphony Orchestra and Western Canada Theatre Company.

BCLC was the presenting sponsor of the second annual Rotary Invitational Golf Classic, from which Rotary donated the $30,000 in proceeds to local charities.

The Corporation was among sponsors of the Wildlights exhibit at the Kamloops Wildlife Park during December, and as

Creating Winning COMMUNITIES

one of the sponsors of First Night joined the community in ringing in the new century.

Volunteers are an essential component of a vibrant community. The Corporation recognizes and supports volunteers for their effort and commitment in making many community events possible throughout the province. Through sponsorship opportunities and by forming partnerships, BCLC contributes resources and expertise to events that enhance a community's lifestyle.

Responsible Gambling

Problem Gambling Help Line
1-888-795-6111
BRITISH COLUMBIA

Gaming entertainment takes many forms in people's daily lives. Part of BCLC's mission statement is to offer top-quality gaming entertainment to the public in a socially responsible manner.

Research shows that about 96 per cent of adults who participate in gaming activities do so for social and recreational purposes. However, up to four per cent of people either have difficulty or have a propensity for not stopping when the fun is over. BCLC partners with Government and social agencies to address these issues through public awareness, education and treatment.

Government currently provides $2 million of the net income generated by BCLC to the Problem Gambling Program administered by the Ministry for Children and Families.

The program's services include a 24-hour, toll-free information and referral line, which received 758 calls in fiscal 1999/2000. Brochures describing problem gambling characteristics and how to get help, as well as posters and stickers advertising the toll-free number, are available at gaming establishments and counselling services.

Since the program's inception in October 1997, some 300 addiction services counsellors and allied professionals from various community agencies have been trained in the course, Introduction to Problem Gambling. About 160 have completed the advanced course, Advanced Clinical Skills for Problem Gambling.

Currently, about 35 counsellors who specialize in problem gambling deliver specifically funded problem gambling services across the ministry's 11 regions throughout British Columbia.

During fiscal 1999/2000, BCLC began to expand its initiatives by working co-operatively with social agencies and groups to encourage responsible gambling and raise awareness of problem gambling issues and available services.

By fiscal year-end, the Corporation had developed a Keeping the Fun in Gambling workshop scheduled for seven communities at the invitation of local organizers. Further engagements would be scheduled.

BCLC addressed the topic of legal and illegal gaming in the province by providing a workshop facilitator and guest speaker for the B.C. Crime Prevention Association Symposium 99. Similar workshops were presented to the provincial meeting of the Aboriginal Counselling Specialists and at the Kamloops community workshop, When Gambling Becomes a Problem.

During the next fiscal year, BCLC will work with the Ministry for Children and Families to develop a responsible gambling program that addresses education and training, prevention and treatment.

The Corporation will strive to ensure that responsible gambling messages reach a widespread audience, and to improve processes for individuals choosing to self-exclude themselves from British Columbia casinos.

ROUTE '99 B.C.

Mountie Stomp '99 (Kamloops)

April 24

24 Hour Relay for a Cure (Prince George)

May 8~9

PNE Playland (Vancouver)

May 13~16

Cloverdale Rodeo & Exhibition

Ladner Pioneer May Days

May 28~30

June 4~6

June 18~20

24 Hour Relay for the Kids (Victoria)

June 26~27

PNE Playland (Vancouver)

July 4~5

July 9~11

Merritt Mountain Music Festival

Maple Ridge Fair

Abbotsford Agrifair

Restoration Music Festival (Vernon)

Prince George Exhibition

Vancouver Island Exhibition (Nanaimo)

1999 BC Seniors Games (Elkford)

August 25~28

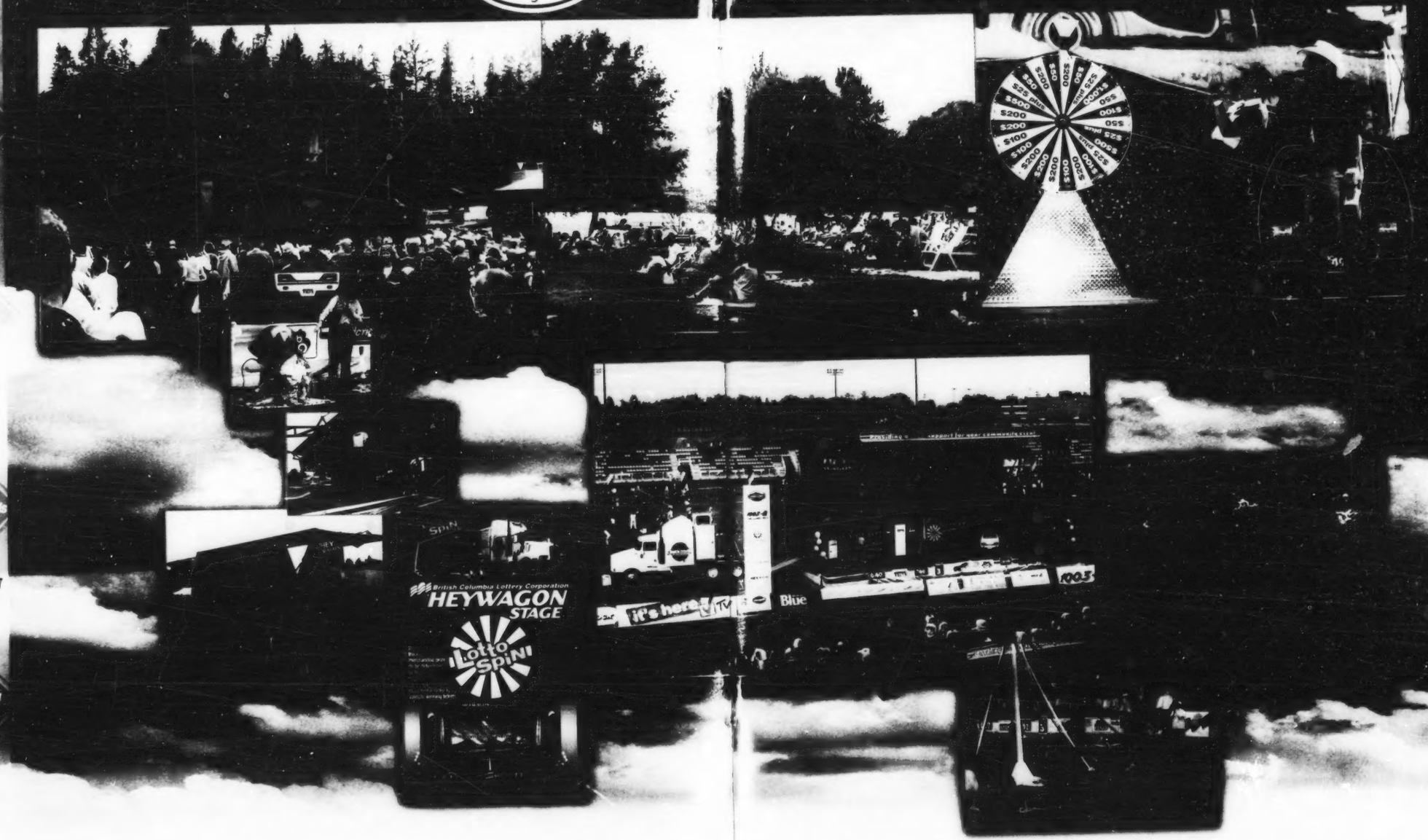
September 1~5

September 9~12

Salmon Arm Fair

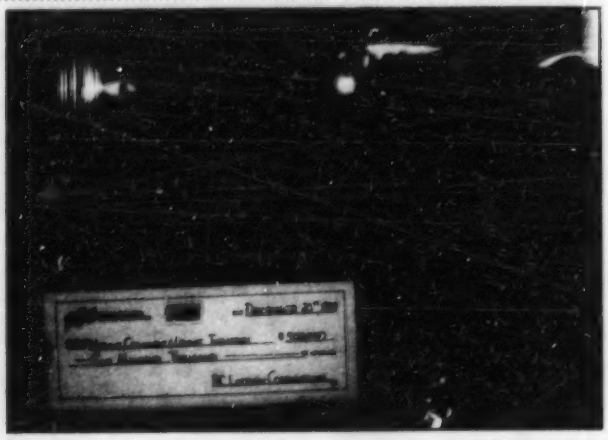
September 17~19

September 2



A lotto support fo your community event!

Creating Winning EXPERIENCES



Whether it was millions that attracted nationwide attention, thousands that meant a measure of financial comfort, or a few coins that jingled in the pocket, players had winning experiences in fiscal 1999/2000.

During the year, almost 66 million lottery prizes worth a total of $509.8 million were won in British Columbia. Among the winners were 23 new lotto millionaires.

BC 49 EXTRA 649

LOTTO 6/49

Peter Milkowski of Burnaby collected a windfall of $5 million when he won the Lotto 6/49 February 5 jackpot prize. He had been playing the same set of numbers for nearly seven years.

After checking his numbers at retail, he headed home and later shared the news with his brother. Peter told him he might want to sit down because he had something important to tell him.

"We sat there looking at the ticket for about two hours, saying, 'Is that real?'" said Peter.

His plans included purchasing a boat and sharing with family members.

BC/49

Vinnie Parker, a Vancouver Island logger, waited a month before claiming his $1 million prize on BC/49 in August. Vinnie planned to purchase property and possibly a hot rod.

"This will help me and my son, but it won't change my life," he said. "I will continue to work and play."

EXTRA

Sidney couple Lonnie Thompson and Nadine Crowhurst were two times lucky. They won a trip to Mexico through a radio station contest, then returned from their travels to discover they had won $500,000 on the December 10 Extra draw.

LOTTO SUPER 7

A Vancouver father of three started the new century with $10 million in the bank. December 24, Minh Le noticed the Lotto Super 7 jackpot was $10 million and purchased a $2 ticket.

New Year's Eve, he checked his numbers at retail and in Luck Magazine, and then ran home.

His daughter reported that he was yelling to his family, "Everybody come here. I won the jackpot! I won the jackpot!"

With his good fortune he planned to pay for his children's education and help out family members.

MEGA MILLIONS 2000

The new year was prosperous for Jack Mitchell of Richmond, who won $1 million on the Mega Millions Grand Millennium TV Draw held January 9 in Montreal.

To become eligible, Jack scratched three "$1,000+TV Draw" symbols on his Mega Millions 2000 ticket in July. He pocketed the $1,000, but had to wait six months for the TV draw.

The evening consisted of three rounds of eliminating draws with cash consolation prizes. After Jack won the $1 million, he was handed a cellular phone on stage and called his son.

"I'm on the stage. Your dad's a millionaire," he said.

Jack's plans for the winnings included a trip to somewhere warm and sharing with family members.

Creating Winning EXPERIENCES

Scratch & Win

Frank Tekutis-Collins of Nanaimo planned to bank the $10,000 he won scratching a Gold Rush ticket in February.

"I really don't need more than what I have, so I wasn't that excited when I won, but the extra money is nice," said Frank.

Just as the fiscal year closed, Fernie resident Martha Gladue claimed her $10,000 prize on Bonus Bingo.

"The night I bought the ticket I picked up a Luck Magazine at the lottery store," said Martha. "At dinner, I looked through and said, 'I wonder if my picture will ever be in here?' A little while later I scratched my ticket and won $10,000."

Martha planned to put her winnings toward home improvements and taking a holiday.

Bingo

SuperStar Bingo players participate in a nightly provincewide linked game to win or share a minimum $20,000 jackpot. A total of $7.3 million was won around British Columbia. There were 509 jackpot winners, of which 268 won $20,000 or more.

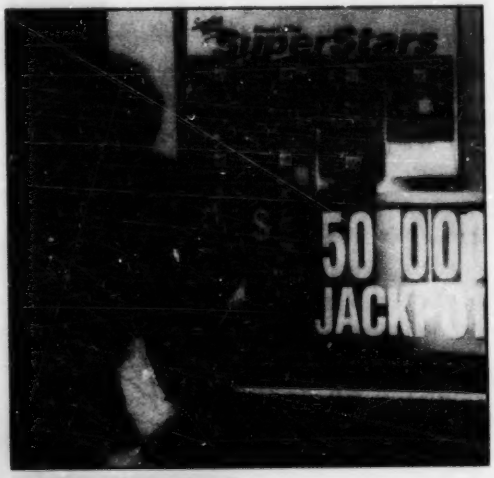
March was a month of bingo promotions throughout British Columbia. Activities were offered at individual Starship Bingo and selected SuperStar Bingo halls, where players could win merchandise prizes.

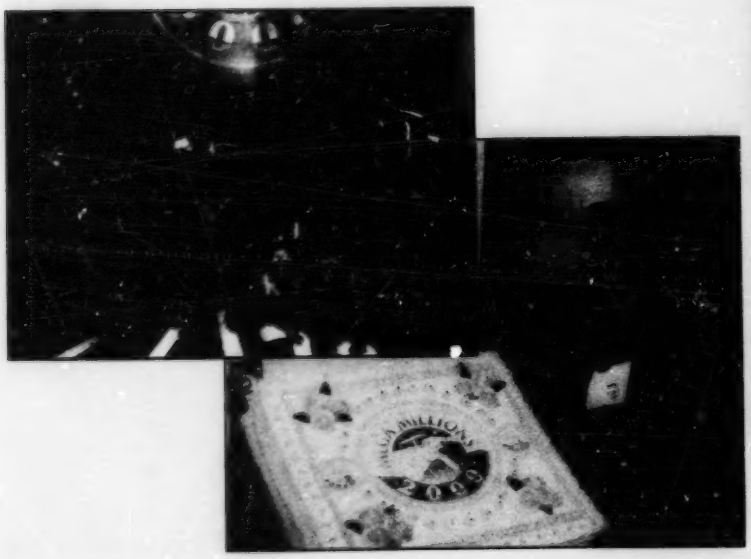
SuperStar Bingo offered a jackpot of a minimum $50,000 when a MoneyDay bonus draw was held March 2.

Marlene Everett of Brakendale, playing at the Croatian Cultural Centre, won the $53,325.90 jackpot.

As Marlene's last five numbers matched the bingo caller's numbers one by one, her friend put an angel figurine on the remaining number on her card.

G-58 was called and Marlene yelled, "Bingo!"





Creating Winning OPPORTUNITIES

AT RETAIL

A full range of BCLC lottery products is available through a network of about 2,400 Lottery Ticket Centres (LTCs), the majority of which are operated by small, independent businesses. Larger corporate chains operate about one quarter of the LTCs.

Within adult social settings, such as bars and pubs, 740 Club Keno Korners (CKKs) offer Club Keno and Breakopen pull-tab tickets and another 410 locations offer Breakopen only.

Retailers earn a commission on every lottery ticket sold through a percentage structure that varies by product. In fiscal 1999/2000, retailers earned just more than $60 million in commissions.

RETAILER SUPPORT

BCLC supports retailers to help them succeed in business and provide exceptional customer service. Territory Managers working in the field make visits to retail locations, while Hotline operators provide information and technical help when retailers call a toll-free line.

Tel-Sell telephone representatives co-ordinate the sale of Scratch & Win and Breakopen tickets to retailers and the distribution of point-of-sale materials and supplies. A total of 130,000 scheduled calls are made in a fiscal year.

Newsletters and informational materials are produced and distributed on a regular basis.

TRAINING

During fiscal 1999/2000, the Corporation delivered more than 1,000 Technical Training and Service Leadership classes to more than 6,700 retailers around British Columbia.

The Retailer Training department introduced a new Business Management Training program based on four modules: Security, Employee Relations, Finance and Retailing.

A highly successful Lotto '99 Retailer Forum was held in June at the Vancouver Trade and Convention Centre. About 500 retailers and international visitors attended the trade show and educational sessions on topics such as business management training, Y2K, crime prevention, retailer recruitment and getting the competitive advantage at retail.

Lotto '99 was immediately followed by a two-day world lottery Retail Development Seminar, which was attended by delegates representing 16 countries and 48 lottery organizations around the world.

SATISFACTION RATINGS

BCLC began tracking lottery retailer satisfaction in 1990 to provide insight into retailers' attitudes and opinions about the Corporation and its services. Telephone interviews were conducted by an independent research company with 300 LTC retailers and 150 CKK retailers during February 2000.

Overall satisfaction ratings by LTC retailers continued to be high, with 95 per cent stating they were very satisfied or somewhat satisfied with BCLC. Overall satisfaction ratings by CKK retailers remained consistent at 82 per cent.

Once again, the Corporation was highly rated as a supplier, with 29 per cent of LTC retailers and 12 per cent of CKK retailers naming BCLC as their best supplier.

Creating Winning ENTERTAINMENT

LOTTERY GAMING

Lottery gaming sales revenues continue to account for BCLC's largest portion of annual revenues. At $907.2 million, they represented nearly 65 per cent of total revenues in fiscal 1999/2000.

LOTTO 6/49

Lotto 6/49, the nationwide game and BCLC's flagship brand, finished the year at $218.2 million in sales revenues. The game has faced challenges, including a maturing lottery market and competition from the nationwide Lotto Super 7 game.

LOTTO SUPER 7

Lotto Super 7 was introduced in British Columbia in November 1998, becoming Canada's second nationwide online game to be offered in British Columbia. In fiscal 1999/2000, Lotto Super 7 became more established in the British Columbia marketplace and increased its market share.

CLUB KENO

Total Club Keno sales revenues in both the LTC and CKK networks were $185.2 million.

The CKK network increased sales over the previous year, due in part to the addition of about 35 new locations. The Workers Compensation Board non-smoking regulations were implemented January 1 and struck down March 22. During this period, sales were negatively affected by about 11 per cent.

Breakopen ticket sales of $108.6 million were also affected by the non-smoking regulations.

In order to assist the hospitality industry with the impact of the non-smoking regulations, BCLC conducted a number of on-site product promotions and promotional contests to stimulate interest and activity within the CKK retail locations.

SCRATCH & WIN

Scratch & Win recorded sales revenues of $182 million during fiscal 1999/2000.

Scratch & Win prize payout has historically been maintained at 50 per cent. An in-depth analysis of other Canadian lottery jurisdictions was conducted and BCLC developed a strategic payout increase plan, some elements of which were implemented in fiscal 1999/2000.

Special Edition Bonus Bingo, released in August, was one of the Corporation's first increased prize return games. Payout was increased to 65 per cent. The $3 Year 2000 ticket, released in December, also featured a 65 per cent payout.

Recognition of the Lotto 6/49 logo, as well as overall odds of winning at 1:2.95, made Instant 6/49 one of the biggest hits of the year.

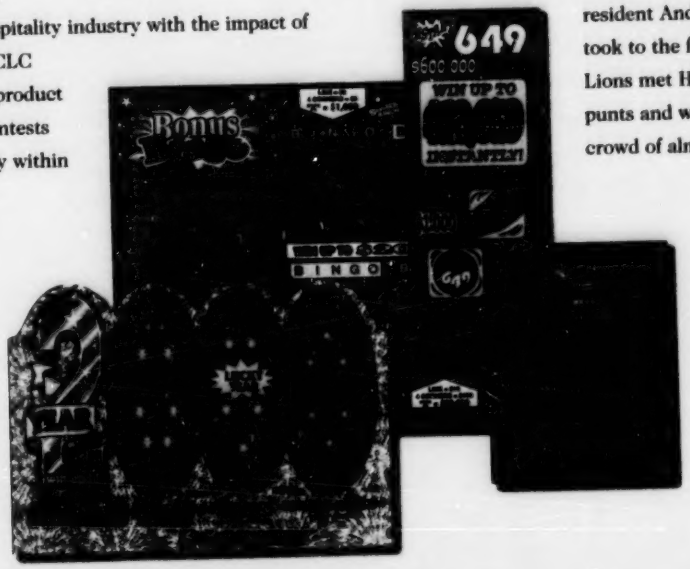
The Scratch & Win brand's general growth continues to be in games with higher price points. BCLC launched five games at a new $3 price point during fiscal 1999/2000.

SPORTS ACTION

Sports Action revenues reached $22.2 million in fiscal 1999/2000.

During the football season, BCLC sponsored a Catch 2 Win contest. Contestants entered by purchasing a $5 Sports Action ticket and filling out an entry form. A draw took place prior to each BC Lions home game and 50 winners received two platinum tickets each to the game.

Of those 50, one was chosen to attempt to catch a punt from 40 yards, then from 50 yards and finally from 60 yards to win the grand prize of $5,000. Victoria resident Andy White, dressed in full gear, took to the field October 30 when the BC Lions met Hamilton. He caught three punts and won the grand prize before a crowd of almost 19,000 football fans.



Creating Winning ENTERTAINMENT

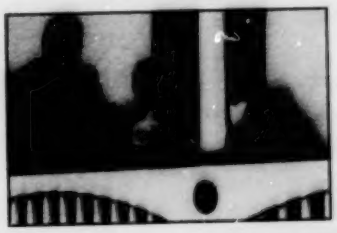
Casino Gaming

Casinos, operating as charity casinos with limited hours and small bet limits, have operated in British Columbia since 1987. BCLC was given responsibility to conduct and manage slot machines when they were introduced in the province in 1997 as part of the Government's expanded gaming initiatives.

Effective June 1, 1998, BCLC assumed responsibility to conduct and manage table games, making the Corporation responsible for all commercial casino gaming. Fiscal 1999/2000 marked the Corporation's first full year of casino gaming.

Casino revenues are recorded net of prizes paid out. In fiscal 1999/2000, total casino revenues were $445.2 million. Slot machines accounted for $230.5 million and table games for $214.7 million.

Charity Guarantee



In April 1998, Government announced a new gaming model that included funding to charities of a guaranteed minimum level of $125 million annually from gaming. A direct charitable access grant program administered by the British Columbia Gaming Commission replaced revenue previously available through casino licences, and volunteers would no longer be involved in casino nights.

This guarantee was reaffirmed in June 1999 when Government reached a Memorandum of Agreement (MOA) with the B.C. Association for Charitable Gaming.

Revenue Sharing

An MOA reached in June with the Union of B.C. Municipalities included an agreement that municipalities where community casinos are located would receive a 10 per cent share of the net income generated by the casino, paid quarterly. Host local governments would also receive one-sixth of the net revenues from any destination casino in their community.

From July 1 through March 31, local governments shared almost $19.6 million.

Casinos

Community casinos were formerly known as charitable casinos. Destination casinos are new casinos approved by Government through the Request for Proposal process. Both may have up to 300 slot machines, 30 gaming tables and six poker tables, with table betting limits up to $500.

By fiscal year-end there were 16 community casinos and one destination casino in operation, nine of which had slot machines.

Lake City Casino Kelowna relocated in May to a high-profile location. Community benefits included a direct investment of more than $8 million in the casino facility. Sixty jobs were created in addition to the 180 staff employed locally by Lake City Casinos.

Designed on a cruise ship theme, the casino features unique lighting, wall murals of ocean life, a rockscape and waterfall.

Of the eight destination casinos granted approval-in-principle by Government, three received final approval during fiscal 1999/2000.

Royal City Star

Royal City Star riverboat in New Westminster, British Columbia's first destination casino, opened in October.

Royal City Star is a 75-metre-long replica of an 1800s sternwheeler. Built in 1994, the vessel was renovated and refurbished to reflect the Fraser River's proud history.

Fraser River Discovery Centre, a museum that recognizes the heritage of the Fraser River, was incorporated into the Royal City Star's development plans. The centre was under construction at fiscal year-end.

Lake City Casino Penticton, the Okanagan's first and British Columbia's second destination casino, is scheduled to open early in 2000/01.

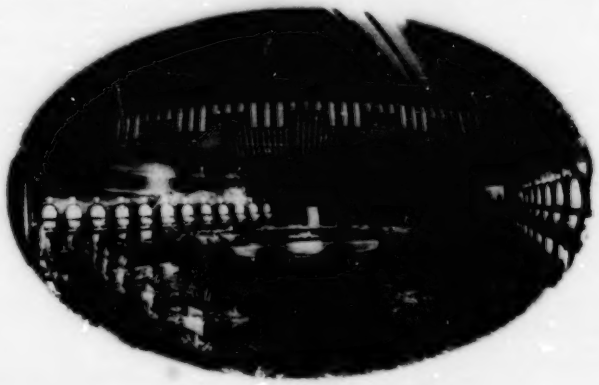
BCLC's Role

BCLC has responsibility to conduct and manage casino gaming, and contracts with private sector casino service providers for facility and operational services. The Corporation owns all gaming equipment and slot machines, selects and approves games, sets bet limits and operating hours, monitors and manages slot machines through a central computer system, establishes operating standards and procedures, and approves advertising and promotion programs.

On-site Gaming Control Managers assist in BCLC's role to conduct and manage gaming, supervise cash counts and ensure compliance to standard operating procedures. Slot technicians provide maintenance services.

In fiscal 2000/01, casino revenues are expected to remain relatively stable. BCLC will revitalize the mix of slot machine game themes to maintain entertainment value to players.

Creating Winning ENTERTAINMENT



BRITISH COLUMBIA LOTTERY CORPORATION CASINO REVENUES — FOR FISCAL YEAR ENDING MARCH 31, 2000

Casino	Service Provider	City	BCLC Slot Machine Revenue	Number of Slot Machines at March 31	BCLC Table Game Revenue	Number of Tables at March 31	BCLC Combined Casino Revenue
Community Casinos							
BILLY BARKER CASINO	585 HOLDINGS LTD.	Quesnel	$ 8,573,116	134	$ 739,052	6	$ 9,312,168
CASINO HOLLYWOOD	PRINCE GEORGE CASINO SUPPLY CO. INC.	Prince George	17,807,522	220	2,621,420	9	20,428,941
GATEWAY CASINO BURNABY	GATEWAY CASINOS INC.	Burnaby	56,079,836	300	29,965,089	32	86,044,925
GATEWAY CASINO MANDARIN CENTRE	GATEWAY CASINOS INC.	Vancouver	–		14,835,778	30	14,835,778
GATEWAY CASINO ROYAL TOWERS	GATEWAY CASINOS INC.	New Westminster	28,637,546	169	14,393,655	29	43,031,201
GRAND CASINO	GRAND CASINO EQUIPMENT & MANAGEMENT LTD.	Vancouver	–	–	19,029,432	32	19,029,432
GREAT CANADIAN CASINO HOLIDAY INN	GREAT CANADIAN CASINOS INC.	Vancouver	–	–	23,014,761	36	23,014,761
GREAT CANADIAN CASINO MAYFAIR	GREAT CANADIAN CASINOS INC.	Victoria	–	–	7,361,186	20	7,361,186
GREAT CANADIAN CASINO NANAIMO	GREAT CANADIAN CASINOS INC.	Nanaimo	36,464,150	300	5,955,764	18	42,419,913
GREAT CANADIAN CASINO NEWTON	GREAT CANADIAN CASINOS INC.	Surrey	–	185	16,852,008	28	16,852,008
GREAT CANADIAN CASINO RENAISSANCE	GREAT CANADIAN CASINOS INC.	Vancouver	–	–	11,692,260	24	11,692,260
GREAT CANADIAN CASINO RICHMOND	GREAT CANADIAN CASINOS INC.	Richmond	–	–	36,452,613	33	36,452,613
LAKE CITY CASINO KAMLOOPS	LAKE CITY CASINOS LIMITED	Kamloops	24,964,885	275	3,015,590	15	27,980,475
LAKE CITY CASINO KELOWNA	LAKE CITY CASINOS LIMITED	Kelowna	27,384,072	300	4,851,806	20	32,235,878
LAKE CITY CASINO VERNON	LAKE CITY CASINOS LIMITED	Vernon	18,392,061	177	1,798,607	10	20,190,668
ROYAL DIAMOND CASINO	ROYAL DIAMOND CASINOS INC.	Vancouver	–	–	15,457,568	30	15,457,568
			$ 218,303,187	2060	$ 208,036,588	372	$ 426,339,776
Destination Casino							
ROYAL CITY STAR CASINO	STAR OF FORTUNE GAMING MANAGEMENT (BC) CORP.	New Westminster	12,222,695	300	6,644,864	30	18,867,558
			$ 230,525,882	2360	$ 214,681,452	402	$ 445,207,334

Notes

The number of tables represents the maximum authorized tables (including poker tables) per casino. The actual number of tables open fluctuates daily and there are rules outlining the number of tables open at any one time. The number of authorized maximum tables has fluctuated throughout the year.

Lake City Casino Kelowna relocated May 20, 1999, adding 145 slots (total 300) and 8 tables (total 20).

Royal City Star Casino opened October 5, 1999.

Slot machines have not been in play at Great Canadian Casino Newton since April 17, 1998.

Creating Winning ENTERTAINMENT

Bingo Gaming

In 1997, as part of Government's gaming expansion initiatives, BCLC assumed responsibility to conduct and manage electronic bingo products.

SuperStar Bingo, a nightly, provincewide linked game with a minimum $20,000 jackpot, was introduced at licensed bingo halls where paper bingo was operated by charities. Preparations began to expand Starship Bingo console-based electronic bingo from its one flagship location to another seven sites within the following fiscal year.

In fiscal 1999/2000, total bingo revenues were $49.1 million, with Starship Bingo accounting for the largest share at $29.2 million and SuperStar Bingo at $16.8 million.

Charities

Charities have the responsibility to conduct and manage paper bingo as licensed by the British Columbia Gaming Commission. BCLC is the long-time, sole supplier of bingo paper for all bingo halls in British Columbia and recorded revenues of $3.1 million in fiscal 1999/2000.

A new gaming model announced by Government in 1998 included a funding guarantee to charities of a minimum level of $125 million annually from gaming.

Elements of the guarantee included the provision that charitable bingo facilities would receive a revenue guarantee at the facility level to be divided among charities in that hall. The guarantee would provide the better of their facility revenue from 1995/96 or 1996/97 plus five per cent, or their net facility revenues from paper, linked and electronic bingo.

Charities could access the $125 million through licensed bingo events or the direct access program, both administered by the British Columbia Gaming Commission.

In June 1999, Government reached agreements with the B.C. Association for Charitable Gaming and the Charitable Bingo Association Committee of the Bingo Council of British Columbia that reaffirmed the minimum guarantee of $125 million annually, tied to the consumer price index in Vancouver, as well as the continuation of the bingo facility revenue guarantee.

BCLC's Role

BCLC contracts with service providers for facility and operational services for linked and electronic bingo. The Corporation provides the computer system, furnishings and on-site employees to operate the electronic bingo system.

Service providers are responsible for providing required space within their facility, as well as all necessary customer services, such as sales and cash handling. BCLC pays service providers a commission on electronic bingo sales.

Up to 85 halls participate in the nightly SuperStar game, which is controlled by a central computer system located in BCLC's Kamloops headquarters.

Promotions

BCLC worked co-operatively with the Bingo Council as preparations began for MoneyDay, the fourth such SuperStar Bingo event. The Council is made up of bingo industry representatives, including hall management and charitable organizations.

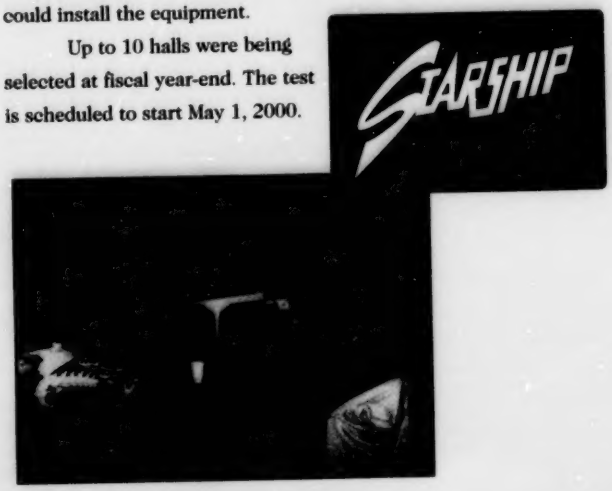
MoneyDay, held March 21, offered a minimum jackpot of $50,000, which could be exceeded depending on bingo sales volume. Spring-themed radio and community advertisements provincewide supported the bonus day. Sales resulted in a jackpot of $53,325.90.

Hand-held Unit Test

In another co-operative effort, BCLC worked with the Bingo Council to strengthen the bingo market by implementing a second test of hand-held bingo units. A hand-held bingo unit is a way to play paper bingo electronically and provides an opportunity for bingo halls to attract new players.

A Request for Proposal was issued in January and the Bingo Council provided a list of potential halls where the one-year test could be conducted. Halls that applied had to receive municipal approval and provide a financial analysis before BCLC could install the equipment.

Up to 10 halls were being selected at fiscal year-end. The test is scheduled to start May 1, 2000.



Corporate Profile

Mission Statement

As the major advocate on gaming policies and the principal operational agency of commercial gaming within the jurisdiction of British Columbia, the Corporation will contribute significantly to Government revenues and economic growth by providing top-quality gaming entertainment to the public in a socially responsible manner.

Corporate Objectives

- To maximize gaming revenue to the Province of British Columbia
- To operate the Corporation in the most effective and efficient manner possible
- To be recognized as a responsible, trustworthy and progressive Corporation, and to achieve strong and broad-based public support of the Corporation's mandate
- To have the best retailer networks in the Province of British Columbia to serve and meet the needs of our players
- To foster an organizational climate that welcomes and values diversity within the organization and through the services it provides to the public and its retailers
- To seek to ensure that every employee is valued, professionally fulfilled and feels that they play an integral role in the success of the Corporation

Mandate

The mission statement and objectives reflect the Corporation's principal mandate to generate, through Government-controlled gaming, substantial economic benefits for Government to improve the life of British Columbians.

This is balanced by BCLC's conscious effort to act as a good corporate citizen in conformation with its social responsibilities and Government gaming policies.

The Corporation will strive to excel in its mandate within the existing gaming policy framework in British Columbia.

Business Overview

Pursuant to amendments to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia (1985). Prior to 1985, the Province of British Columbia was a partner in Western Canada Lottery Foundation.

As an agent of the Crown, the Corporation is authorized by Government to:

- conduct and manage lottery gaming, including both traditional lotteries and social gaming products and including the marketing of nationwide and regional lottery games in association with other provinces of Canada;
- conduct and manage casino gaming, including both community casinos (formerly charitable casinos) and destination casinos; and
- conduct and manage bingo gaming, both electronic and linked.

In calculating revenues, BCLC remains consistent with other lottery jurisdictions across Canada. Lottery sales revenues are calculated on gross sales before prizes; casino revenues are recorded on the basis of net win after prizes.

Corporate Structure

BCLC's head office is located in Kamloops, its sales and marketing office in Richmond and branch office in Victoria. The Corporation employs about 650 people, and these employees are based within the three offices, in the field as lottery territory managers, and at casino and bingo sites.

Head Office
74 West Seymour Street
Kamloops, British Columbia
V2C 1E2
(250) 828-5500

Richmond
10760 Shellbridge Way
Richmond, British Columbia
V6X 3H1
(604) 270-0649

Victoria
770 Hillside Avenue
Victoria, British Columbia
V8T 1Z6
(250) 383-4433

PERFORMANCE MEASURES

RESULT

In fiscal 1999/2000, BCLC generated net income of $532 million, which was $2.1 million greater than budget and $76 million greater than fiscal 1998/99. The positive variance over budget reflects the strong revenue performance from casino operations and lower than expected operating expenses. The increase over fiscal 1998/99 reflects strong revenue performance from casino games and a full year of operation of table games. All net income is distributed to Government. Of the $532 million, $524.8 million was distributed to the Government of British Columbia, including payments pursuant to ministerial direction.

All lottery sales revenues are recorded net of free games and revenue is recognized in the period the product is sold. Slot machine and table game revenues are recorded net of prizes.

Total revenues of $1.4 billion were $1.5 million greater than budget and $140 million greater than fiscal 1998/99. Strong performance from casino operations and the lottery social gaming network (adult social settings that sell Club Keno and Breakopen pull-tabs or Breakopen only) were partially offset by lower than expected sales from the lottery retail network.

Total lottery sales revenues were $907.2 million. Sales of $688.2 million within the lottery retail network were $20.8 million less than budget and $2.5 thousand less than fiscal 1998/99. Sales of Lotto 6/49, BC/49 and Extra were less than budget due to fewer jackpot rollovers than anticipated. Additionally, sales of the Special Event ticket Mega Millions 2000 did not perform to expectations.

Lottery social gaming sales revenues of $219 million were $10 million greater than budget and $.9 million less than fiscal 1998/99. Strong sales performance from Club Keno was partially offset by weaker than expected Breakopen sales.

Casino revenues of $445.2 million were $14.7 million greater than budget and $137 million greater than fiscal 1998/99. The strong performance reflects the earlier than planned opening of the relocated Gateway Casino Burnaby and stronger than anticipated revenues from slot machines and table games.

Bingo revenues of $49.1 million were $2.4 million less than budget and $6.4 million greater than fiscal 1998/99. The increase reflects the operation of eight Starship Bingo electronic bingo sites for a complete year.

BCLC measures per capita income by dividing the Corporation's total income by the number of people over the age of 18 living in British Columbia. Per capita income of $170.8 was $.7 greater than budget and $22.1 greater than fiscal 1998/99. The increase reflects the continuing growth of casino operations.

RESULT

Direct expenses related to the sale of gaming products – prizes, retailer commissions and ticket printing – represent about 85 per cent of BCLC's total expenditures. Direct expenses of $745.9 million were $6.6 million less than budget and $46.8 million greater than fiscal 1998/99. The increase reflects additional service provider commissions and prizes required to support higher sales from casino and bingo operations.

Prize payments represent BCLC's single largest expenditure at $509.8 million, or 53.3 per cent of representative sales revenues.

Commissions paid to lottery retailers and casino and bingo service providers represents another one of BCLC's largest expenditures. In fiscal 1999/2000, a total of $220.9 million in commissions was paid to lottery retailers and casino and bingo service providers. The increase reflects the continuing growth of slot machines, table games, and electronic and linked bingo, which are all higher commission games. Commissions include lottery sales commissions, casino and bingo service provider commissions, retailer bonuses and retailer incentives.

Operating expenses include administration, operations, amortization, and interest and other income. At about 6.7 per cent of total revenues, operating expenses of $94.1 million were $5.0 million greater than fiscal 1998/99.

BCLC operates a lottery online gaming system that is available for sales from 6 a.m. to midnight daily except December 25. The Corporation generated online sales of $613.6 million through

PERFORMANCE MEASURES

a network of some 3,100 retailers. System availability was 99.9 per cent, compared to the target of 99.95 per cent and 99.9 per cent in fiscal 1998/99.

RESULT

Through an external research agency, BCLC tracks the public's attitude toward the Corporation. BCLC's acceptance rating was 48.1 per cent, compared to the target of 50 per cent and 45.9 per cent in fiscal 1998/99. After several years of declining ratings, the Corporation's public image began to improve.

BCLC measures the public's participation rate in lotteries. Through a random survey, adults are asked if they have played any lottery games in the previous 30 days. The public participation rate was 65.6 per cent, compared to the target of 65 per cent and 66.9 per cent in fiscal 1998/99.

RESULT

BCLC has a comprehensive selection process and training program for lottery retailers. Tracking customer satisfaction provides a measure of the effectiveness of the retailer recruitment and training programs. Customer ranking of retailer services was 95 per cent, compared to the target of 90 per cent and 92 per cent in fiscal 1998/99.

By evaluating retailer satisfaction, BCLC measures the level of service provided by the Corporation to retailers. Services include sales support, technical assistance, product order and delivery, marketing support, training, accounting and retailer incentives.

Retailer satisfaction was 95 per cent, compared to the target of 90 per cent and 95 per cent in fiscal 1998/99.

RESULT

BCLC measures the number and percentage of people from designated equity groups – women, people with disabilities, aboriginal Canadians and visible minorities – who are employees in regular and part-time positions. About 400, or 60 per cent, of the Corporation's employees are among those four equity groups. The Corporation received 3,689 job applications, of which 2,066 were from the equity groups. Of 74 new hires, 34 were among the equity groups.

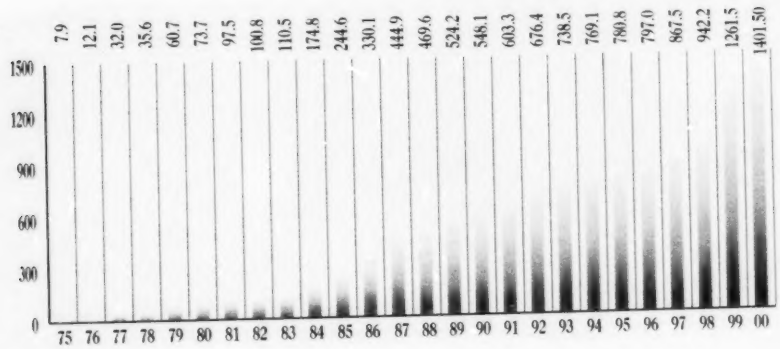
RESULT

BCLC measures the effectiveness of its employee relations practices. The turnover rate of permanent full-time employees leaving the Corporation was 3.04 per cent, compared to 4.16 per cent in fiscal 1998/99.

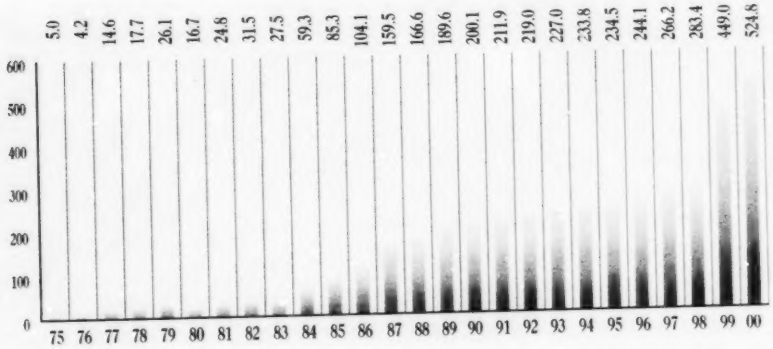
Labour costs represent the Corporation's largest administrative expenditure. Absenteeism, which includes sick days and short-term disability only, is a measure of the Corporation's productivity. The absenteeism rate was 1.92 per cent, compared to 1.85 per cent in fiscal 1998/99.

GROWTH CHARTS

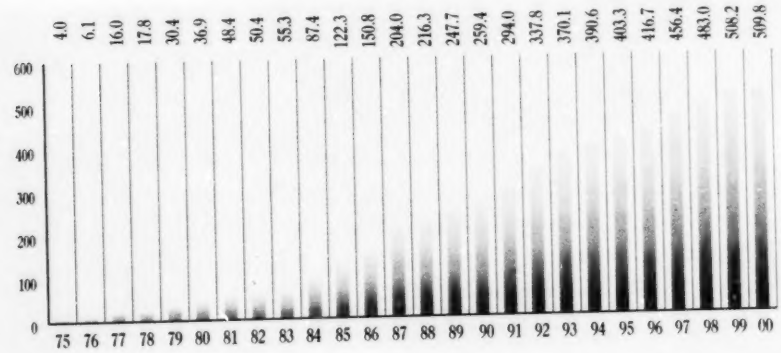
Annual Revenues



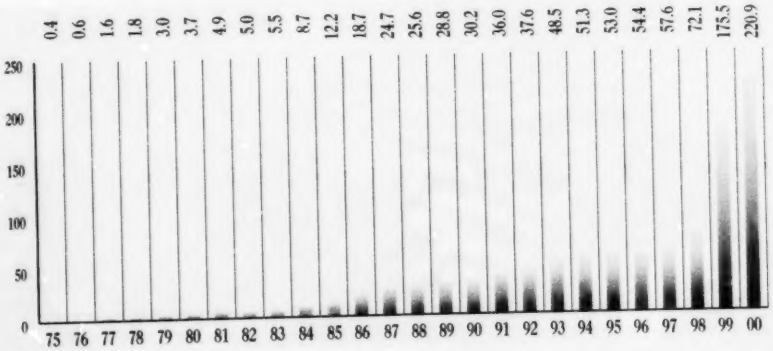
Annual Net Income to Government of British Columbia



Prizes



Retailer Commissions



To the Directors of

British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2000 and the consolidated statements of income, amounts due to Province of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

Kamloops, Canada

April 19, 2000

Consolidated Balance Sheet

(in thousands of dollars)

	2000	1999
Cash:		
Short-term investments	$ 91,870	$ 89,932
Bank	2,303	7,975
	94,173	97,907
Accounts receivable (note 3)	28,504	25,822
Receivable from Interprovincial Lottery Corporation	4,745	710
Prepaid expenses	6,346	3,873
Capital assets (note 4)	25,872	35,441
	[illegible]	[illegible]
Prizes payable	$ 57,804	$ 64,822
Accounts payable and accrued liabilities	28,339	21,761
Due to Government of British Columbia	73,497	75,410
Due to Government of Canada	–	1,760
	[illegible]	[illegible]

See accompanying notes to consolidated financial statements.

Approved:

Mervyn Romilly
Chair

Jann L.M. Bailey
Director

Consolidated Statement of Income

(in thousands of dollars)	2000	1999
Revenues (note 5)	**$ 1,401,530**	$ 1,261,494
Direct expenses:		
Prizes	**509,788**	508,150
Retailer commissions	**220,925**	175,549
Ticket printing and bingo paper	**15,192**	15,397
	745,905	699,096
Revenues less direct expenses	**655,625**	562,398
Operating expenses (note 13):		
Administrative expenses	**80,577**	75,525
Amortization	**19,752**	18,773
Less: Interest and other income	**(6,235)**	(5,089)
	94,094	89,209
GST expense	**29,530**	17,227
Allocation of net income:		
Government of British Columbia	**$ 522,875**	$ 440,628
Government of Canada (note 6)	**7,214**	6,998
Payments pursuant to ministerial direction (note 7)	**1,912**	4,958
Payments to British Columbia Charitable Gaming Funding Society	**–**	3,378

Segmented information (note 13)

See accompanying notes to consolidated financial statements.

(in thousands of dollars)	2000	1999
Balance, beginning of year	$ 75,410	$ 41,294
Net income	532,001	455,962
	607,411	497,256
Payments to Government of British Columbia	526,700	414,848
Allocation of income to Government of Canada	7,214	6,998
	533,914	421,846

See accompanying notes to consolidated financial statements.

(in thousands of dollars)	2000	1999
Net income	$ 532,001	$ 455,962
Amortization, which does not involve cash	19,752	18,773
	551,753	474,735
Changes in non-cash operating items	(11,390)	(14,077)
	540,363	460,658
Payments to Government of British Columbia	(526,700)	(414,848)
Allocation of income to Government of Canada	(7,214)	(6,998)
	(533,914)	(421,846)
Additions to capital assets	(10,183)	(12,723)
	(10,183)	(12,723)
Increase (decrease) in cash	(3,734)	26,089
Cash, beginning of year	97,907	71,818

See accompanying notes to consolidated financial statements.

British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia. The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia and to co-operate in the conducting and marketing of national and regional lottery schemes with other Provinces of Canada.

The Corporation conducts and manages the following lottery schemes in British Columbia: DAILY 3, SCRATCH & WIN, BC/49, CLUB KENO, EXTRA, SPORTS ACTION, BREAKOPEN, STARSHIP BINGO, SUPERSTAR BINGO and casino games including slot machines and table games.

The Corporation is the regional marketing organization for the SPECIAL EVENT, LOTTO 6/49, LOTTO SUPER 7 and MEGA MILLIONS games in British Columbia. These games are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

(a) Basis of presentation:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation.

(b) Short-term investments

Short-term investments are valued at the lower of cost and market.

(c) Capital assets:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect income in the year purchased will be capitalized.

The Corporation's capital assets are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

Asset		Rate
Building and leasehold improvements		5 years
Furniture and equipment		5 years
Computer equipment		3 years
On-line gaming terminals		3 years
Breakopen vending machines		3 years
Signs and fixtures:	Computer	3 years
	Non-computer	5 years
Bingo equipment		3 years
Casino equipment		3 years

Amortization is prorated in the year the assets are put in use.

(d) **Revenue recognition:**

Lottery games:

Revenue from the sale of lottery tickets and the associated selling costs and prize expenses are included in the statement of income in the period the ticket is sold.

Bingo games:

Revenue from the operation of electronic and linked Bingo and the associated selling costs and prize expenses are included in the statement of income in the same period the game is played.

Casinos:

Revenues from casino slot machines and table games are recorded on the statement of income, net of prizes paid. Related operating costs are recorded in the statement of income in the period they are incurred.

(e) **Prize expenses:**

Lottery prize expenses are recorded based on the theoretical prize liability expected for each game. The actual expense incurred each year will vary from this estimate based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. Expired prize funds are to be paid out through bonus draws, promotions and retailer incentives.

(f) **Software development costs:**

Software development costs are expensed in the period in which they are incurred.

(g) **Estimates:**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(h) **Income taxes:**

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

	2000	1999
Retailers	$ 25,748	$ 23,535
Other	2,756	2,287

			2000	1999
	Cost	Accumulated amortization	Net	Net
Land	$ 700	$ –	$ 700	$ 700
Building and leasehold improvements	26,383	23,043	3,340	1,266
Furniture and equipment	3,522	3,280	242	227
Central system computer	22,674	21,799	875	1,688
On-line gaming terminals	35,552	35,179	373	3,111
Breakopen vending machines	7,484	6,958	526	1,456
Signs and fixtures	4,948	4,088	860	557
Bingo equipment	11,425	7,830	3,595	7,198
Casino equipment	31,948	16,587	15,361	19,238

	2000	1999
Lottery:		
LOTTO 6/49	$ 218,208	$ 249,141
CLUB KENO	185,234	173,674
SCRATCH & WIN	182,091	176,587
BREAKOPEN	108,566	115,793
BC/49	75,603	85,618
EXTRA	64,908	63,402
LOTTO SUPER 7	43,030	12,940
SPORTS ACTION	22,230	22,782
DAILY 3	4,465	4,740
SPECIAL EVENT	2,915	5,981
	907,250	910,658
Bingo:		
SUPERSTAR BINGO	16,833	18,972
STARSHIP BINGO	29,179	20,348
Paper	3,061	3,379
	49,073	42,699
Casino - net win:		
Slot machines	230,526	146,772
Table games	214,681	161,365
	445,207	308,137

The Interprovincial Lottery Corporation (I.L.C.) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to I.L.C. Payments under this agreement are estimated to be $ 7.2 million for the next fiscal year ending March 31, 2001.

Pursuant to Section 22 of the Financial Administration Act, the Corporation has been directed to pay for the Problem Gambling Program costs administered by the Ministry for Children and Families (and the costs of the Gaming Policy Secretariat in 1998/99).

The Corporation's share of the Interprovincial Lottery Corporation (I.L.C.) prize and ticket printing costs for national games is recognized in the appropriate category of direct expenses. The Corporation's share of the I.L.C.'s interest income less operating expenses is included in interest and other income.

The Corporation is committed to payments under operating leases for premises.
Minimum annual rental payments for the next five years are approximately as follows:

2001	$ 1,150
2002	932
2003	787
2004	592
2005	538

An actuarial valuation was made as of March 31, 1997 by William M. Mercer Ltd., a firm of consulting actuaries, and then extrapolated to March 31, 2000. The market value of pension plan assets as at March 31, 2000 is approximately $ 33.3 million (1999 - $ 28.1 million) and the extrapolated present value of accrued pension benefits for services rendered to March 31, 2000 is approximately $ 26.9 million (1999 - $ 22.1 million), resulting in a net surplus of $ 6.4 million (1999 - $ 6.0 million).

The cost of the pension plan reflects management's best estimates of the pension plan's expected investment yields, salary escalations, mortality of members, terminations and the ages at which members will retire, and is therefore subject to measurement uncertainty.

The carrying value of accounts receivable, prizes payable, due to the Interprovincial Lottery Corporation, accounts payable and accrued liabilities and due to Government of British Columbia are recorded at cost which approximates fair value.

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

Year ended March 31, 2000				
Sector of activity	**Lotteries**	**Casinos**	**Bingos**	**Consolidated**
Revenues	$ 907,250	$ 445,207	$ 49,073	$1,401,530
Direct expenses:				
Prizes	481,611	–	28,177	509,788
Retailer commissions	60,762	154,182	5,981	220,925
Ticket printing and bingo paper	12,642	–	2,550	15,192
	555,015	154,182	36,708	745,905
Revenue less direct expenses	352,235	291,025	12,365	655,625
Operating expenses:				
Administrative expenses	52,112	23,237	5,228	80,577
Amortization	7,066	8,856	3,830	19,752
Less: Interest and other income	(6,590)	279	76	(6,235)
	52,588	32,372	9,134	94,094
Income from operations	299,647	258,653	3,231	561,531
GST expense	11,837	16,373	1,320	29,530

Year ended March 31, 1999

Sector of activity	Lotteries	Casinos	Bingos	Consolidated
Revenues	$ 910,657	$ 308,137	$ 42,700	$1,261,494
Direct expenses:				
Prizes	486,072	–	22,078	508,150
Retailer commissions	59,850	110,505	5,194	175,549
Ticket printing and bingo paper	12,544	–	2,853	15,397
	558,466	110,505	30,125	699,096
Revenue less direct expenses	352,191	197,632	12,575	562,398
Operating expenses:				
Administrative expenses	54,039	15,446	6,040	75,525
Amortization	9,103	5,913	3,757	18,773
Less: Interest and other income	(5,267)	126	52	(5,089)
	57,875	21,485	9,849	89,209
Income from operations	294,316	176,147	2,726	473,189
GST expense	11,854	4,644	729	17,227